

MINUTES
OF THE STATE TRANSPORTATION BOARD
9:00 a.m. – 11:00 a.m., Friday, June 20, 2008
City of Nogales Council Chambers
777 N. Grand Avenue
Nogales, Arizona 85621

Board members present: Si Schorr, Delbert Householder, Bob Montoya, Bill Feldmeier, Felipe Zubia, Bobbie Lundstrom

Pledge of Allegiance to the flag led by Chairman Si Schorr.

OPENING REMARKS: Chairman Si Schorr

The Board thanks those in Nogales for their hospitality. They took a tour of the ports in Mariposa and it was an edifying experience. Special thanks to Board Member Bobbie Lundstrom for facilitating this experience.

ITEM 2: Directors Report – Richard Travis, Deputy Director

First item on the Directors Report is the State Budget. There is still no State Budget. They are meeting in Phoenix to try to work out their differences. We do not believe that there is any intent not to have a budget before the end of the fiscal year, but whether they can get it done in time still remains to be seen.

Concerning are the potential cuts to the ADOT budget and whether we will have time for meaningful input on the impact of any proposed cuts. When they do come up with a draft, there will be a very short time between their proposal and their final vote.

Chairman Si Schorr recognizes Supervisor John Maynard. He is in the audience and wishes to address the Board on local issues.

Supervisor John Maynard: He also thanks the Board for time spent yesterday and enjoyed the time visiting the port of entry. On behalf of the Board of Supervisors, he thanks the Board and the City of Nogales as well as Bobbie Lundstrom for their hospitality.

The Port of Entry is a Federal facility, but the State of Arizona plays a critical role in maintaining it and making it work as efficiently as many came to understand yesterday afternoon. As that port expands, there will be a real challenge on our side of the line in the State of Arizona to take care of the increased volume of traffic. It is crucial not only to Arizona but to the entire country. There was some discussion about how much produce comes in and who passes more produce through which port in Arizona. It is clear that Nogales is the top port of entry when it comes to winter produce. If we want to continue to eat as well as we do in this country, it will behoove us to work

closely with the Federal government in the next few years to complete the studies and find the funding to take care of our side of the border once that port expands.

An ongoing study and issue is that of the frontage road system along I-19. There may be another opportunity at the Federal level after November 4 to possibly identify another funding source in our State to address some of the frontage road issues in our county. Between Rio Rico and Nogales, it is crucial that completion be done of the frontage road system on both sides of I-19 and at least north of Nogales to Green Valley. The east side would be the most viable way to move local transportation as we look at the next 20 – 30 years of county and state history.

Another small issue that has become a great big issue is the Union Pacific rail crossing and Palo Parado. ADOT staff has been great. They have met with us two times and are encouraging and diplomatic. Union Pacific has come to the table and worked out a public rail crossing with Santa Cruz County so that this can move forward and access some of the 130 Funds to upgrade that crossing and make it safe. The County has completed a design concept report for a bridge which would be the second leg for that transportation linkage between Pendleton and I-19. Hopefully within 3 – 4 years there will be a successful completion of that project. Future reports may be made along within future request for funding to help with this project.

Another item that affects the eastern part of Santa Cruz County is the continuation of the wide loads that cannot get through on I-10. They come down both Highway 82 and 83 as a bypass. ADOT is working on that issue, but whatever you can do to move that project along, the residents of eastern Santa Cruz County would really appreciate it. It is not only presenting quite an inconvenience, but there are safety issues that have recently arisen because of the slow movement of the wide loads on either or both of those roads at different times during the day.

We are fortunate to have the District Engineer that we now have, Greg Gentsch. A week or two into his new position there was a microburst and quite a bit of rainfall in Santa Cruz County. There was some considerable flooding. Part of the road system in that part of our county is the old road from Nogales from Tucson. It is a State Road. Greg attended a meeting that we had called to address some of the flooding issues in Tubac. He held up very well during that quite lively meeting. Not only did he follow through on his word by coming down along with members of his staff to look at the issue. He came up with some solutions and worked with some of the neighbors to work out easement issues. This showed us that he is a very hands-on person. He was willing to take the time to come out from behind his desk, come to the community, take a problem on and fix it. This speaks well for Greg and the Tucson District as well as ADOT in general. This type of relationship is also experienced with Victor Mendez at the State level. He has been incredibly hands-on in a number of areas. He has an advocacy and a vision for the future of transportation and where he believes we need to move in the State. The staff in Phoenix has been very helpful in working with us and with Union Pacific in the Palo Parado crossing issue. Victor does take the time to travel around the state and listen to local concerns. He was recently at the SEAGO Executive Board meeting a few weekends ago in Patagonia. That speaks very highly of the job that he is doing to take a Saturday morning away from friends and family and come to Patagonia to meet with us.

The last issue has to do with the future of Arizona. There is discussion now and hopefully all of the voters will have an opportunity to vote on it this fall. It is an interesting opportunity to look at the future of transportation which will affect the future of our State and the western part of the United States. We have an opportunity to provide Arizona with passenger rail connection, services that would connect Nogales to Tucson, Tucson to Phoenix, Phoenix to Flagstaff, and Flagstaff to Yuma. One of the mistakes that our predecessors made is that we are an automobile dependent society. In Europe, the rail system is remarkable. The United States of America has an incredible opportunity. There is an energy crisis and the price is going to do nothing but increase. Some of the infrastructure is in place. The will is there as evident in the City of Phoenix, Salt Lake City, Denver and some of the western states. Why is that not happening in Arizona? This Board could leave an incredible legacy to our grandchildren to move this State to a passenger rail system that is efficient and effective and will begin to give us an opportunity to travel conveniently and safely from here to Tucson, to Phoenix for the day and back. It is possible. If we can get the voters of our state to support one of the issues that we will look at in November, it is the first step in the right direction. This was presented to a Rotary Club in Rio Rico two weeks ago. We laid out some of the issues that we would be looking at if the 1-cent sales tax is approved in November. There was far more interest among that small group of 25 individuals from a variety of different business and different professions in the community in the rail passenger component of that than there was in turning I-19 into six lanes from four lanes. The comment made by many is that we would be simply making the same mistake again by encouraging the use of automobiles and adding to the maintenance load that ADOT will face in the future. We realize that rail has maintenance, but there was definitely a desire. There was a positive vote among the club to support the November 1-cent sales tax. This was because of the rail issue, being able to take a train from Tucson to Phoenix. There are many who feel the same way and it is reassuring.

Supervisor John Maynard thanks the Board for coming from Phoenix to the local part of Arizona and enjoying the hospitality offered, and being very interested in what local Arizona has to say. That speaks very well of the Board members and of ADOT as well.

ITEM 3: Legislative Report – Gail Lewis

It is a pleasure to be here and enjoy the hospitality given, but not a pleasure to say that we still do not have a budget. We are at 10 days and counting. Within the confines of this room, we are aware that there are some secret meetings going on which are not so secret between the legislators and the Governor's office trying to get things resolved. Although there are lots of rumors, there is nothing firm coming from those yet. Some of the rumors are about creative ways to make the budget go further. We have heard everything from possible furloughs and mandatory four-day work weeks but no indication yet whether or not any of those are true. There are also many rumors about what will happen if we get to June 30 and actually do not have a budget, although we do not think that will happen either. We have been assured by the Governor both publically and privately that we will have a budget on time. What we do not know yet is what it will end up looking like. There will surely be additional or continued fund sweeps to those we have had in 2008. Exactly how much deeper those will go, whether there will be other impacts on employee spending, how much longer the hiring freeze will go on and the travel reductions, those are things we do not know at this point. Stay tuned and we will be back to you next month with a

budget in place. At that time we will be able to give you more information and tell you a little bit more about how we are going to respond. We will respond and keep the place open and running as we have in the past.

There are a couple of the bills that were asked about previously, the possible addition of one Board Member to a county that reaches 500,000 in population. That is basically designated toward Pinal County which is the next county to achieve that milestone. That has been signed, so when the time comes for another county of 500,000 population, you will have another colleague added to you. We do not have to wait for the census to make that happen. We can add that upon the word of DES of achieving 500,000 population.

One of the others that you expressed particular interest in is the Public/Private Partnerships Bill for rest areas. That in all likelihood will pass. There have been a few minor amendments. One says that whoever the operator is, they are not allowed to have pay toilets. The other says that free picnic tables must be provided. It is unlikely that it will pass with an emergency clause, so it will go into effect probably sometime around October 1. That works out well with our consultant and when he is expected to have his final recommendations back into us. We suspect that what is in the bill will be adequate to let us move forward. If it is not, realistically by the time we begin to implement recommendations in October, if there do need to be changes made, we can probably make those fairly easily in the next session. It is much easier to amend an existing bill than to try to put something new on totally from scratch.

The status of the Aviation Fund is of great interest to Barclay and the Aviation Division. There is still some question about whether that bill will make it. They keep adding things on and taking them off. Several of those bills have become vehicles to try to pass a "no texting while driving" amendment. This seems to be an issue with enormous debate at the legislature. There are several things that are still hanging out there. We are waiting to see if they will make it because that amendment has been put on and taken off. There are a couple of things, including our technical rule-change bill which is an agency bill, that are still being held hostage along with Barclay's bill still being held hostage by the texting amendment. Hopefully in the next week we will be able to get it together on those.

Finally, with respect to the Federal situation, as you can imagine, we have hit the time in the Federal level as well as the State where everything becomes all about the budget, trying to get something passed and ready to go so that everyone can take off and begin campaigning. We have talked for 6 – 7 months about FAA reauthorization. There is still no FAA Reauthorization Bill, but there is a rumor in the Senate that they are going to put a one-time fix to the Federal Highway Trust Fund on the FAA Reauthorization Bill, so we will get not only FAA reauthorization, but a cash infusion into the trust fund. This is not a long-term fix, but it is a short-term fix that will help make sure that we can carry through the end of the fiscal year getting our existing level of federal funding. We have expressed our strong support to that. Victor has sent a letter to our entire delegation urging their support if indeed this compromise comes together. Also, at our request, the Governor will send a letter on Monday to our Senators asking for their support as well. We have received responses from them that they are aware of it. They have heard what we have asked them to do and are actively reviewing it.

ITEM 4: Financial Report – John McGee

HURF revenues for the month of May totaled \$110.76 M which was 7.9% below the forecast, 3.4% below last year. Year-to-date HURF revenues now stand at \$1.235 B. This is 6% below the forecast, 1.8% below last year. All categories are currently running under forecast and every category is running under last year. Interestingly, even though we have heard a lot about the impacts of high gasoline prices, etc., the areas that are really hurting this year are more in the registration areas, areas that have to do with carrier registrations, regular registrations, vehicle license taxes and that we attribute more to the general slow-down in the economy and to issues of population non-growth. The variances that we have seen so far this year in the gasoline tax negative variances have been occurring as the price of gasoline has been ratcheting up. If gasoline stays where it is or continues to go up, those numbers will probably get even worse. It is not a hopeful picture. We will probably end the year where we did last year at about \$1.38 B. It is now apparent that we will be below last year, probably somewhere between \$30 - \$35 M less than we collected in FY 2007. If that occurs, it will be the first time since 1998 and only the third time since 1980 that HURF revenues have declined year over year. This is not good news.

Nor is the news any better with respect to RARF revenues. For the month of April RARF revenues totaled \$32.543 M, 7.3% below last year and 11.4% below the forecast. Year-to-date collections now stand at \$318.9 M which is 2.8% below last year and 6.1% below forecast. Here again, every category has performed below forecast for RARF for the fiscal year. Three categories, retail sales, contracting and restaurant and bar are performing below last year's levels. As with HURF, it is also apparent that collections this fiscal year will be below last year, probably by about \$11 - \$13 M. This will be the first time ever since the enactment of the original tax in 1986 that year over year RARF receipts will be negative.

It is a pretty impressive year that we are in this year. We have never had a year where RARF has been negative until this year and this will only be the third year in the last 30 years that HURF will have had negative results.

Investment report – interest income for the month of May totaled \$4.474 M representing an average of over 3.22%. Year-to-date earnings now stand at \$55.197 M representing an average of 4.22%. With respect to the HELP Fund, as of May 31, the HELP Fund balance stood at \$112.18 M. This is down about \$12.6 M for the month. We have about \$7.7 M of loan repayments and \$700,000 of interest income that will help raise the balance. That was offset by \$15.4 M loan draws. We had two loans that we funded last month and \$5.7 M of funding that was divested for interest payments on the vehicle that was paid on 6/3/08.

Felipe Zubia – At some point, once we get beyond the 5 year program, you will give us a presentation that of the impact that will have on the program so that the Board stays more actively involved as to where we may need to look for areas to adjust. Have you looked at the calendar to see when this can be done?

John McGee – We have done a preliminary assessment of the fundability of the 5-year program that Rakesh will present later. At this point, we believe that the program is financeable. However,

we have not finalized that financing plan for the reasons that have been presented today, mainly because we still do not have a State budget, so we do not know what the impact of that may be. When that is done, we will finalize the program. However, there are three major risks to the fundability of the program that the Board will consider today. The Board is urged to adopt a program with whatever modifications are felt to be appropriate if any. There are risks. We do not know what is going to happen this year with respect to the State budget. We do not know what will happen with respect to the Federal funding issue that the Board has been briefed on; that could take place in FY 2009. If that issue is not solved, it could result in the Board having to look at inferring \$200 - \$300 M worth of projects out of FY 2009 program. We will do not really know whether or not we will see any kind of turnaround in our HURF and RARF revenues next year. In the financial program that we put together, we assumed that there would be a modest turnaround. But if we have another year of flat revenues, that could also have an impact. As we are putting together the financial plan, we obviously have to make some assumptions and we believe those are reasonable and conservative, but if any of those assumptions turn out to be incorrect, there is the possibility that the Board may have to review elements of the program next year. If the Board has a program in place by July 1 by State law, we believe that there is a good chance that the program that we present will be financeable.

Felipe Zubia – Relevant to what we are discussing now as far as the plan is concerned, we are essentially \$100 M off, about. That, in conjunction with the increased cost of construction has a real effect on the plan. Obviously there are things that will need to be done and you will come forth with the recommendations. What I am asking is that at some point in the future, will we be getting a Plan B? If we run into the same situation the next fiscal year in a row, and we will know it is coming, will we be briefed ahead of time in that regard? The question is then, when is the most appropriate time to get a work-study session meeting in that regard?

John McGee – This is something we can do at the Board's pleasure. We can lay out some of the assumptions that we have made with respect to the program, what the magnitude of the problem would be if some of those assumptions do not come about. That can be done in the fall. Once the Board acts on the current 5-year program, we immediately start the process over again. One of the first things we do is to start looking at what will be FY 2014. As we do that, in conjunction with that, we also look at what we know now that we did not know in June. There are many assumptions that go into the funding plan to support the 5-year program. As we start the development of the funding estimate for the fifth year of the program, we will also look at what we know from today to that point.

Felipe Zubia will work with the Chairman in scheduling that.

Chairman Si Schorr – There will always be things up in the air. It would be nice to be able to set a plan when all of the variables come to the table and a projection can be made. It seems that the variables will be in flux for the next year or two and therefore we will have to start thinking about a Plan B even if all of the variables are not set. We will need to start in the fall to discuss what Plan B would be. Prudent financial planning would have to dictate that we go to an alternate plan if the facts indicate it.

John McGee – Planning is everything, plans are nothing. The value is in the financial plan; the 5-year plan is the process that we go through. The day after these plans are completed and approved, things change. Planning is not a static process. We learn new things every day that are different than what we had assumed and we hope we have built enough flexibility and contingency in the plans that we do not have to make major modifications to it. Particularly in FY 2009, we would probably not be able to develop any contingency plans if the Federal Trust Fund issue is not settled. There are no options in dealing with that other than deferral of many projects. Some of the other things we may be able to work around depending on what happens with the State budget and revenues.

Bill Feldmeier – Downturns are nothing new. ADOT in the past has adjusted the budget by deferring projects, pushing them back so that the load is lightened and cash flow stays the same. Projects cannot be on schedule because the financing did not come in as projected. This is nothing new except for the size of the hit. The potential hit is enormous.

John McGee – Downturns are not new. They can be painful. Essentially what happens is that you find an alternative way to fund things which we are sometimes able to do, or you have to start deferring some projects. We have done both over the years to continue to balance.

Chairman Si Schorr – Arizona is fortunate that we do have in place a group of people and planning which allows us to deal with these problems better than other states that have run into some pretty rough times. They have not been able to respond adequately. There is ongoing planning with respect to these problems all the time. Because there is ongoing planning, sometimes you cannot put a marker down because it is always changing.

ITEM 5: Financing Program – John McGee

Since the last Board meeting, we did successfully close the \$200 M HURF 2008 bond issue. That closed on 5/20/08. Thanks to all the members of the team for a very smooth closing. Everything went without a hitch and he appreciates all involved.

The second item is a preliminary FY 2008 STAN report. As you may recall, one of the requirements of the STAN legislation was that there be an annual report developed and sent to the Governor, the Speaker of the House and the President of the Senate. We did that last year. That report is due on June 30. You have a draft in your packet. Take a look at it. If you have any questions, comments, or see something that we messed up, feel free to call John. It will be finalized and given one more good proofing during the coming week, and it will be submitted on or before the due date of June 30.

ITEM 6: Request for STAN Funding – Richard Travis

In STAN 2, there were two funds that were created by the legislature, one for the west valley which this Board dealt with about a year ago with the widening of I-10. This is the Roads of Regional Significance Congestion Mitigation part of STAN 2. On page 33 you will see the application made by the Town of Queen Creek for those funds. This is a form created by the Department to help the Board see that the project, according to the applicant, meets the statutory requirements laid out by the legislature for the funding. There are some representatives from the

Town of Queen Creek. Mr. McGee is better qualified to answer any questions specific to the project under consideration.

Felipe Zubia – This was tied to STAN 2 and some of the discussions at the MAG level between what was funded as part of STAN 2. With that in mind, part of what was funded was covered for some interest that the west valley cities were paying for I-10 widening. How does this fit into that? Does it affect that? Is this in accordance with what MAG had previously blessed as part of the negotiation between those two cities?

John McGee – When STAN 2 was established a year ago, the legislature did three things. One, they appropriated an additional \$62 M from the State Highway Fund into STAN. Then they set up two sub-accounts. One was to be used to reimburse interest on projects that met certain criteria. That money was applied for by Goodyear, Avondale and Litchfield Park. The Board approved that request for funding. Secondly, they set up a sub-account called Roads of Regional Significance Congestion Mitigation. They appropriated \$10 M into that account. They later came back and un-appropriated \$42 M of the \$62 M and sent it to DPS as part of the 2008 budget fix. They left the \$10 M that the Board had already acted upon for the interest in this \$10 M. This \$10 M is different than any other \$10 M in STAN. The major difference is, all the other money in STAN was designated to be used on State facilities. This \$10 M is designated to be used on local streets or facilities. It is not a grant but a loan and has to be repaid by our reading in the statutes of the Attorney General's reading of the statute by 7/1/2012. This is essentially a four-year loan. The other requirements are laid out in the certification made by the Town of Queen Creek that they have a certain population growth and other requirements that they have certified that they meet. This money had been in the account for a year. This is the first application that the Board has received to utilize that money.

Felipe Zubia – As far as the Board certification, there are references that the above named project meets the criteria of the statutory section. Other than asking you how it meets it, there is no staff report in that regard.

John McGee – In the copy that the Chairman signed, we required that. From reading the statutory requirements, we believe they do meet those requirements.

Felipe Zubia – How many other STAN requests are we faced with in the future? Is that all used up, STAN 1 and STAN 2? Will we see anything else in the future?

John McGee – The only other STAN requests that we may see in the future would be as a result of a couple of things. One is if more money is made available by the legislature at some point. That is not anticipated this year, not with the budget situation. Two and this will most likely happen at some point, some of the bids that we have gotten on some of the projects have come in below what had been set aside by the Board for that project. That will free up those monies. In some cases, as the Board did in April for the project on SR 77 in Pima County, Pima County has already asked and the Board has approved moving those funds over to another project so that those funds would be used. Those would be the two major things that would spur additional action plans.

Felipe Zubia – It would eliminate questions if there would have been a one-page summary from staff giving a little bit of history, and specifically telling how it met the criteria and statutes so that we know why we are approving it.

Bill Feldmeier – The amount that is available in the fund is \$10 M. The project cost is better than double that, so they will exhaust the fund with the exception of the repayment clause in which they have four years to repay. Will that fund be available again, the \$10 M plus the interest that it accumulates?

John McGee – The statutes do not allow the Department to charge interest on this account. The way that the statutes are phrased, it says is that this loan program under 28-7011 which is Roads of Regional Significance Congestion Mitigation Program ends July 1, 2012. The money will come back unless the legislature extends this particular loan program. Then the \$10 M will go back into the pot and will be divided out accordingly for other projects.

Chairman Si Schorr – Is the program confined to Roads of Regional Significance?

John McGee – That is the name of the account.

Chairman Si Schorr – Are these roads of regional significance?

John McGee – Yes, they are roads that are contained in the MAG program. That pretty well qualifies it as a Roads of Regional Significance.

Chairman Si Schorr – At the beginning of your presentation, I thought you said that these were local roads.

John McGee – It is a local road. It is not a State facility.

Chairman Si Schorr – Local as differentiated from State Routes. The statute clearly allows loans of this type?

John McGee – The statute not only allows it, the statute mandates that it be for this kind of road.

Bill Feldmeier – Was this fund set up entirely for the MAG region?

John McGee – No, it is our belief that the legislature probably had facilities in this region of the State in mind when they set this up. Not necessarily this particular project nor was the money designated specifically for this region, but at this point, this is the only application that has come in for the money.

Board Action: Motion to approve the above recommendation was made by Felipe Zubia, seconded by Bob Montoya, and was approved unanimously.

PRIORITY PLANNING ADVISORY COMMITTEE (PPAC)

Today the 5-year construction program is presented for adoption. The 5-year construction program is a \$6.4 B program and is the number one responsibility of the Board.

ITEM 8: Recommended Economic Strength Projects (ESP) – Round 2, FY 2008 – Rakesh Tripathi

First, the Economic Strength Projects (ESP) – Round 2, FY 2008. The City of Douglas will use this Economic Strength Program to widen and reconstruct a six-road intersection as well as the widening of San Antonio Avenue and Florida Avenue. The intent is to accommodate dedicated turn base that will facilitate traffic in and around the advanced call center business. The amount of this grant is \$275,000. Economic Strength Program will generate 182 jobs and will attract \$6 M of private investment that has been put into this project. He recommends approval of this project.

Board Action: Motion to approve the above recommendation was made by Delbert Householder, seconded by Ms. Bobbie Lundstrom, and was approved unanimously.

ITEM 9: Rakesh Tripathi

Items 9a, 9b, and 9c, Mr. Tripathi will give a presentation on those. Item 9d will be taken care of by Mr. Kwisung Kang. Item 9e will be presented by Mr. Barclay Dick. After these items are addressed Mr. Tripathi will request approval for the 5-year program because all of these are elements of the 5-year program.

Mr. Tripathi will give a presentation, an overview of what has happened in the last one year and through the Board's guidance, what we have come up with. This is an overview of the process of programming.

The mission of the Priority Programming Process is, under the guidance of the Board, to produce a program of projects, using the word program and not plan. Program is the most immediate part of the plan. Programming is done when there is the joint project agreement, inter-governmental agreements and all the funding is put into place. On the engineering side, the environmental process is accomplished and the project is pretty much in the readiness phase. It is ready to go to construction. The project is at that last phase. When it gets to that point, we are in the programming phase. Beyond the programming phase, we are in the planning phase. That is where we are doing the needs assessment, coordination with partners around the state to determine the needs. At that time we have a forecast as to what kind of funding we are anticipating, but we really do not have the funding tied down at that level. That is the differentiation between the programming process and the planning process. Programming is a subset of the planning process. It is the last step of the planning process.

A brief overview of the nature of the program. The current program 2008 – 2012 that you approved last year was a \$6.57 B program. This year, today, you will consider the adoption of the 2009 – 2013 5-year program which will be worth \$6.383 B, about \$187 M less than the existing

program. The way the money is divided is through system preservation, system management, system improvement and the MAG Regional.

The system preservation is basically pavement, bridges, rest areas, port of entry. System management includes project development which is going through the environmental process, some preliminary design and operation enforcement, those kinds of projects. System improvement includes the major projects, different minor projects, intelligent transportation system projects. You can see the extent of the system that we have that you touch through your 5-year program.

The basic goals of the program process are that it be an open process, that there is a very detailed technical process to identify, rank and select major capacity projects, and to use performance-based planning criteria to judge these projects. Through your public hearing and public involvement processes, this also gives opportunities to various stakeholders and the public to participate in this process. It is done at the planning stage where needs are identified. Then the chief financial officer gives us a recommendation on resource allocations. Then there is a committee that looks into it, and there is a list of those committees, and then there is identification of potential projects. Then we also have identification of scope projects. Scope projects are the one where the design concept report is done, alternative analysis is done, blueprint as to how many lanes and the nature of the project is done. Then we talk about priorities after we have identified them as to what should be done first. As you know, we have limited resources and we have to prioritize everything that we have on the plate. We then develop a pool of programmable projects and then the 5-year transportation construction program is adopted. This is also in conjunction with the Statewide Transportation Improvement Program.

As you know, we have MPOs and COGs who are responsible federally to create the Regional Transportation Plan. It is a 20-year plan at the regional level. Out of that, the first five years or three years, depending on how the region is adopted, is called the Transportation Improvement Program, (TIP). TIP is pretty much parallel to our 5-year program because TIP is the fully funded part of the Regional Transportation Plan. When you look at TIP, it is a regional plan. It is an MPO and COG document and it is a Federal document. When the State puts together all the TIPs from all around the State, it becomes a STIP (State Transportation Improvement Program). Individually it is a local document; together it is a State document. This is how it all gets together.

The first and foremost are the stakeholders who drive this process. These are our local partners, the public citizens and our District Engineers who are in the field. They are the ones who are there, talking and looking at the problems, and they have the most direct link to what is going on in their communities. With respect to COGs and MPOs, they are very much intertwined into this process. This is the community interaction as part of this process.

There is also RAAC (Resource Allocation Advisory Committee) which approves how much funds we have to program. This committee is made up of the ADOT Deputy Director, The Multimodal Planning Division Director (myself), the State Engineer, Chief Financial Officer Mr. McGee, MAG Executive Director Dennis Smith, the MPO Executive Director from Yuma, PAG

Executive Director from the Tucson area, COG Executive Director from NACOG, and TMA Transit Director from Phoenix.

Then it goes to the Technical Advisory Committee. The Technical Advisory Committee is made up of technical folks who look into these recommendations. That committee is formed of three members of the Multimodal Planning Division, District Engineers that have two slots on the Committee that are rotated every two years, and the Assistant State Engineer for State Roadway Design. This is extremely technical talent looking at this issue.

After that, it goes to the ADOT Management Committee. The ADOT Management Committee is made up of the State Engineer, ADOT Deputy Director, Mr. Travis, and the Multimodal Planning Division Director (myself).

After that committee, it goes to the Priority Planning Advisory Committee. I serve as the Chairman of that committee. The Vice-Chair is the State Engineer, the Director of Aeronautic Division, Chief Financial Officer, Deputy State Engineer for Valley Transportation, Deputy State Engineer for Development, Deputy State Engineer of Operations, Office of Environmental Services, and a non-voting member is also part of this group. The non-voting member is the Chairman of the Citizens Transportation Oversight Committee.

After that process, the PPAC approves and recommends the final 5-year construction program. Then, we bring to you as a tentative program for your consideration. We conduct public hearings. As you are aware, we have had three public hearings, one in Phoenix, one in Flagstaff and one in Tucson. Through this process you hear comments from the public and stakeholders and other interested parties. After the public hearings have been accomplished, then the Transportation Board gets the opportunity to adopt this 5-year plan. This is a comprehensive and exhaustive process.

Bill Feldmeier – The Board has the authority for the planning and planning decision. Looking at the chart, the Board is at the bottom of the process.

Rakesh Tripathi – The stakeholders are at the top because we all work with the people of Arizona.

Bill Feldmeier – Looking at this chart and how all of the information is accumulated, the Board sees it last.

Richard Travis – The potential projects come from everywhere. They come from District Engineers, they come from Supervisors, COG Directors and Board members. The process here is to make sure that the projects are ready and planned so that the Board can take final actions. There are several different places throughout where the Board plays a role in the process. It is incorrect to think that the only interaction that the Board has is at the end when they say yes or no. There is a lot that feeds into it that comes through the Board. There is a lot that the Board participates in throughout the process in developing the 5-year plan in each year where projects move that the Board plays a role in.

Bill Feldmeier – As a group, I do not know what Felipe deals with in his district, or Delbert or Bobbie until we see it in this package that was delivered to us earlier this year.

Chairman Si Schorr – There is one other thing to consider in that discussion. Your concern is that we do not get a bite at the apple until the very end, but actually we get several bites along the way. The first is formally at the first public hearing on the adoption of the 5-year plan. Remember, we have had hearings in Tucson, Flagstaff and in Phoenix. At each one of these hearings, we have had the opportunity, before and after, to comment on the 5-year plan. There may have been some modifications along the way as these things go along. Our opportunity today is to adopt as, make changes or modify. There is a continuous process by which the Board has the opportunity to reflect upon the 5-year plan.

Rakesh Tripathi – At every Board meeting a list is presented of project items that have been adopted by the Priority Planning Advisory Committee. In the packet those projects come with maps. At every meeting there are 20 – 30 of those listed. Every month the Priority Planning Committee goes through those projects. You are involved at every Board meeting in the 5-year program. When you take those items and approve them, you are participating in the programming process. You are involved in that entire process even before you get to the public hearing. Today for example, Items 10 – 30 in the packet with all the maps and details about every project are part of the program. When you approve those items, you are participating in the program at every Board meeting. You have opportunity from day one. The diagram is for simplicity of a flow chart. I hope you will not mind, no disrespect intended.

The way the funding is distributed in the Casa Grand agreement, 37% to the MAG region, 13% to the PAG region, and to greater Arizona 50%. That is the formula for allocation that is utilized by the 5-year program.

As you can see \$700 M was available per RAAC allocation, but the first line shows a total fund available for RAAC distribution as \$661 M. You may wonder where that \$38 M went. \$38 M is taken off the top because that is for programs that are beneficial for the entire State. Those are State planning, research, bridge inspection, risk management, civil rights, partnering, regulatory issues including Federal tax evasion, outdoor advertising, recreational, etc. As you have been giving professional development hours to Mr. McGee in previous meetings, I thought I would join that bandwagon by providing you with a snapshot technically, of the process, how each project is weighted down through our normal distribution, the score, and the matrix. It is a very elaborate and impressive process the way each project is judged.

We start the entire Committee process all over again in September. We will schedule the RAAC. Under the fine guidance of our CFO we will get a good understanding as to what kind of resources we have to program for 2010 – 2014. Basically we will go through this whole process. I give you my personal commitment that from day one, it will be my job to come to you with a very strong and involved dialog with you while we are going through this process. I understand it is not as apparent as it should be. We will make it our priority to make sure you are involved in every step of the process. This will only be beneficial for us to have this program adopted next

year. Mr. Kang and Mr. Klein will make their presentations, and then I will respectfully ask for your approval of the 5-year program.

ITEM 9d: FY 2009 – 2013 MAG Regional Highway System/Regional Transportation Plan Recommendations – Kwisung Kang

The handouts are on the table. The first part is a summary of proposed changes. The second part is the proposed MAG 5-year program.

Currently we have 18 major studies and 20 major design projects underway for RTP Freeway Program.

- Based on the latest cost information from the studies and designs, we updated costs for eight projects.
- Second item is to defer five design projects for one fiscal year to align with the study schedule. We defer the construction schedule for one fiscal year to align with the design schedule.
- We separated two utility projects from roadway construction projects, one on I-10 and one on SR 85.
- We established four new right of way projects on SR 303 between I-10 and Grand Ave.
- We established two new design projects, one on SR 303 and one on SR 85.

Continued funding for TI improvements sub-program.

- We programmed \$3 M each fiscal year for minor improvements at TI. For this program, we programmed \$3 M in FY 2013.
- We established a new freeway management system project on the Price Freeway between Red Mountain Freeway and Superstition Freeway. On this project, we will design, construct and evaluate the ramp meters.
- We deleted one construction project and transferred the funds to the existing construction projects on SR 303. We had low net cost changes.
- We made minor project name changes to reflect proper project limits.

The total cost increase is \$80 M and we made cash flow based on this cost increase and cash flow can accommodate for these program increases. This concludes this presentation.

Felipe Zubia – A presentation was given by both Floyd and Kwi. It was very informative and appreciated with some follow-up questions dealing with Freeway Management System extension from 83rd Ave out to include the current I-10 widening. I appreciate the recommendation for adding that into the program, albeit outside the current 5-year. Just for the record, make a note for consideration under the next program to then move all that up into the next 5-year program so that it coincides with the opening of the I-10 widening.

ITEM 9e: FY 2009 – 2013 Airport Development Program Recommendations – Barclay Dick

Since we first presented the proposed FY 2009 – 2013 Program agreement, there have been requests from five airports for amendments. With some minor adjustments to the program, we have been able to accommodate each of those requests and have incorporated them into our final draft program.

In February with our first presentation to you, we had a program that totaled \$27.2 M for FY 2009. That program included a \$1 M loan program, a \$500,000 pavement maintenance program and a \$20.2 M state and local grant program. We have made adjustments to accommodate the requested program amendments. We are suspending the loan and pavement maintenance programs for one year and are increasing the state and local grant program to \$21.6 M.

Rakesh Tripathi – Now that you have heard the presentations on Items 9a, 9b, 9c, 9d and 9e, I respectfully request that the Board approve and adopt the 5-year construction program as presented.

Bill Feldmeier asks about the presentation on Items 9a – 9c. Are there are no adjustments from the original recommendations to us on the 5-year plan for the 13 other counties?

Rakesh Tripathi – That is correct. This whole process starts again tomorrow. Definitely the projects and issues that are emerging and are of interest will be coordinated with everyone to make sure that they go through this whole program next year and will be able to incorporate the Board's intent into the next program.

Bill Feldmeier – Kingman wants to address an issue related to the fifth year and would like to be heard.

Chairman Si Schorr varies the normal procedure to allow the public comment on the 5-year program, but limited only to the 5-year plan right now.

Jack Kramer – Acting City Manager, City of Kingman. He will have Jackie Walker, the city's inner-government representative give information to the Board.

Jackie Walker – On behalf of the Mayor and Council of the City of Kingman, I want to thank you for the opportunity to speak with you today regarding the proposed 5-year construction plan. I appreciate the leadership and support that each of you demonstrates in improving the roads and transit network in the State of Arizona. In particular, I want to thank you for consideration and continued support of the Kingman Rattlesnake Wash interchange construction project outlined in the proposed 5-year construction plan. This project is an integral part of providing a good transportation network for vehicular traffic in and around Kingman.

The collaborative efforts from officials of the state, county and city as well as the cooperation and participation from the developers of Kingman have brought this incredible project to this

point. These strong working relationships will continue as we move forward with construction and completion of the interchange. Attached, you will find a map of the proposed interchange location highlighting Phases 1 and 2 with itemized cost estimates on the back side of the map.

Again, I want to express my gratitude to each of you for your commitment to this vital project and for your support for this important funding decision and action.

Chairman Si Schorr – Is the project that is depicted on this letter from the City of Kingman part of the 5-year plan?

Donald Mauller – The Rattlesnake Wash TI was one of the TOC recommendations for 2013.

Bill Feldmeier – Can you tell me if it is on the way it is structured here as a partnership project?

Donald Mauller – What committee was presented with was \$25 M. We knew we did not have the money to fund the entire project. We were about \$7 M short. Through the public hearings we noted that and stated that it would come back next year for additional funds.

Rakesh Tripathi – Through the public hearing process, you saw those presentations where we never had full funding for a project, so we come every year and bank money.

Bob Montoya – Is there \$25 M budgeted for this and is the cost \$39.9 M?

Donald Mauller – What was presented to the TAC committee was \$25 M. There is a letter of intent where ADOT was to supply 70% of the funds and the City was to supply the other 30%.

Chairman Si Schorr – Is that the way that the 5-year plan deals with this item? Does the 5-year plan deal with this subject in the manner that Mr. Mauller just described?

Rakesh Tripathi – Yes it does.

Bill Feldmeier – It is good that there is private money coming in to our process to develop something that area needs. It needs to be a part of this.

Jodi Rooney – CYMPO Administrator

An exhibit is distributed which shows an existing interchange that has just recently been completed. It is the 89 – 89A TI. It has just opened. We are very pleased with that. Also, there is another interchange highlighted. It is the SR 89A Viewpoint TI. That is an interchange that we would like to be able to complete. We want to be able to continue the build the system that has been started. This does not have ADOT money at this time. We do have money in the program for another project. We do not want to see that go away, but having worked in construction and in planning and programming from the DOT side I know that things are dynamic in the program. Viewpoint Interchange is around a \$7 M project. We would like to have that added if at all possible.

Bob Montoya – During the planning process, was this project in the queue? Was it considered?

Rakesh Tripathi – This project was in the hopper for ranking and scoring. This year it did not rank high enough to pick up the grade. That does not say that next year it will not. This is a process. We have very limited resources. We have a tremendous amount of worthy projects. I consider this project to be extremely worthy, but when you have such a resource crunch, then you go year by year. This area does not make the mark, but that does not say that next year it will not be up for consideration and funding.

Bob Montoya – Has Prescott been asked whether they would participate in some of the cost of this? When we talk about STAN money where we just allocated \$10 M to Queen Creek, would that type of funding come forth for a project of this nature that could be allocated to Yavapai County?

Chairman Si Schorr – Per the discussions that we heard from the STAN 2 account, that is it. There is no further fund. The way the STAN 2 was set up, it all but precludes anything from happening except in a particular part up in Maricopa County and a particular part of Maricopa County.

Bob Montoya – Is Yavapai County willing to participate in this?

Jodi Rooney – Yes, in fact, we have already pledged over \$1 M of our STP funding in regards to this particular project.

Chairman Si Schorr – This 5-year plan deals with the years 2009 – 2013. That does not mean that we cannot, next year, deal with the years 2010 – 2014.

Rakesh Tripathi – That is correct. You will have the opportunity in the next cycle to add projects to our program. This is a continuing process that you are involved in every year. Definitely, this is a worthwhile project that has local participation. It will probably be looked at favorably just because of that in addition to other things. All around the state we have a tremendous amount of need, but only a limited amount of dollars to address them.

Chairman Si Schorr – What you are saying then is that if we want to include this, we will have to take something else out.

Rakesh Tripathi – Before you do that, I want to impress that all of these projects go through a technical merit evaluation. By that I mean it goes through safety factors. What is the impact on the State? It is a very worthwhile project, but there are other projects of statewide significance and statewide that fared well on technical merit. That does not say that in next year's competition on the technical merits it will not be there.

Bill Feldmeier – As we go through the checklist in general, not specifically, and develop these criteria, one of the things that the Board has talked about in the past is the importance of recognizing local contributions towards accelerating a project. We have had numerous

experiences in the past where projects have been brought to us, and because of local funding, we have put a special emphasis on that. That is one of the major reasons why we have seen success with this Rattlesnake Wash interchange. We have done it in Yuma where they have spent considerable money of their own to accelerate projects, and we are seeing this in Yavapai. It is not the first example where Yavapai has been effective. A year ago, they gave \$5 M towards the efforts to improve SR 260 to Cottonwood. This is another example. It is something that we need on our own to emphasize that the dollars are short and that if it is important enough to you to get this in the 5-year plan, you will need to come forward with some money. They have done it, Kingman is doing it, and Yuma has done it a number of times. It is not the first example where Yavapai County has accelerated and it is not the first example where we have done it in other parts of the state either. We need to do what we can to shuffle things around to do whatever necessary to make partnerships happen. If we do not do that, we are stuck without utilizing the opportunities that we have for local funds.

Rakesh Tripathi – Points well-taken. In next year's program, those comments will be very seriously taken into account.

Bill Feldmeier – This is the third year at the adoption of a 5-year plan that I am again emphasizing the importance of partnerships. In only limited cases we have utilized an opportunity that is in front of us today. I would like to make a legitimate suggestion that will assist us, at least within the 13 other counties, in that portion of the 5-year plan. On US 93 the Carol Springs Project, it has \$21.4 M attached to it. I would suggest that we set that project aside and take that money and set it in a separate line for partnership projects within the 13 other counties, major projects. I feel that I can defend this move not only for the partnership emphasis, but the fact that this US 93 Project is listed within the 1-cent initiative that will be on the November ballot. Assuming that it passes, that US 93 will be one of those projects that the 1-cent sales tax will cover. We can make it on both ends.

Richard Travis – The investment strategy is on the table that was adopted yesterday. Does it assume this funding?

Rakesh Tripathi – No, the things that are already in the proposed funding, the investment strategy does not cover those.

Richard Travis – If the Board does not approve this project and the investment strategy were to pass at the ballot, there would be this stretch that would be unfunded.

Rakesh Tripathi – That is correct.

Richard Travis – The cost for the US 93 improvements does not include funding for this stretch. It includes funding for a different stretch to complete it, but it assumes that this takes place.

Bill Feldmeier – In looking at the map, it showed hash marks for quite a ways.

Richard Travis – The hash marks indicated programmed or recently completed.

Chairman Si Schorr – There is some language in the proposed initiative which basically says that the State cannot reduce amounts on certain roads if they are the subject of programs within the proposed investment strategy.

Bill Feldmeier – Doesn't the Board then have the ability to, as it monitors the progress of that new 1-cent, to adjust along the way? We need to make sure that we have the flexibility to be able to adjust based on needs.

Richard Travis – The initiative contemplates the Board approving all projects.

Bill Feldmeier – But it could add projects to it, is that correct?

Richard Travis – If you are asking about prioritization, the final approval is the Boards.

Bill Feldmeier – I am asking if this project that we are talking about today, does the Board have the latitude to move it into the 1-cent?

Richard Travis – It would displace another project, but yes, you do.

Chairman Si Schorr – We also voted yesterday to approve the investment strategy as presented which included this project.

Rakesh Tripathi – As mentioned at the beginning of the presentation, we have to take programming and planning as two separate issues. Even though programming is a subset of planning, they are very different. When you talk about the 1-cent issue, you are talking about the State long-range plan. This is an immediate thing. This is your due diligence on today. On the other hand, the 1-cent is a variable. One of my recommendations as your Planning Director is to take your comments and incorporate them into our process. If you think leverage is something that we need to pay attention to in our matrix to judge these projects we should include those judgments into the matrix of these projects. I would highly recommend that, while this is a worthwhile project, if you do exemptions on changing the 5-year program, then there is the possibility in future years that even though we go through this full year of process, you have a whole contingent of local communities coming to you to change the process.

Felipe Zubia – Agrees with Mr. Feldmeier and supports his approach to add to the matrix partnerships and give it some merit in the waiting process in the future. Getting to the issues of programming, prioritization, the 5-year plan, the 1-cent sales tax that being 30 years, Move Arizona and our State statute being 20 years, comment to Mr. Tripathi as a Planning Director. Following November if the 1-cent sales tax does pass, I would like a full report and presentation as to how all of that matches and meshes and what your recommendation would be to how to manage that. The 5-year program, Move Arizona, the 30 year 1-cent sales tax investment strategy and how we do this in a cohesive fashion rather than have two separate plans and processes.

Chairman Si Schorr proposes that a motion be made that we approve the 5-year plan as presented with a caveat that the process for the 5-year plan be modified to include the suggestions made by Mr. Feldmeier and elaborated upon by Mr. Zubia that we give greater weight to public/private partnerships in the estimation of projects that come within the 5-year plan. Such a motion would bring us at least to the decision point as to whether we want to adopt the 5-year plan or not.

Delbert Householder made the motion to approve the 5-year plan.

Bill Feldmeier is not going to vote in favor of that. He appreciates the addition to the process related to partnerships, but he reflects back on the fact that he has been talking about it for three years. It should happen next year under the guidance of this new director, but there is no time like the present.

Chairman Si Schorr is concerned that if we do this, we will have repudiated what we did yesterday. If we take a project out of the transportation strategy that the Board approved yesterday and do it today, it would be detrimental to the impact of what was done yesterday. It is unfortunate that is playing out that way. We are trying to deal with it in another way and that is to suggest that if this project is as meritorious as it has been presented, and it appears to be quite meritorious, that next year it be presented as part of the 5-year plan. Conceivably it could get a higher leg up on the 5-year than it is today. Today we are dealing with 2009 – 2013. Next year we will be dealing with 2010 – 2014. It is conceivable that this could be put in for 2010 or 2011 and thus be in a further stage of development that it would have been had it been presented today for 2013. The project will not be a net loser at all. He is very concerned about repudiating the action that was taken yesterday.

Board Action: Motion to approve the above recommendation was made by Delbert Householder as stated above, seconded, and was approved. Mr. Feldmeier opposes. 5 approve and 1 oppose.

ITEMS 10 – 30: Transportation Facilities Construction Program Requested Modifications

Chairman Si Schorr suggests that Items 10 – 30, all items that deal with the transportation facilities construction program requested modifications, as the Board has done in the last few meetings, take action on all of them. By taking action on all of them, we are in effect not inviting discussion on each and every element of these which are a part of what would be the 5-year plan. Unless the Board feels differently, he proposes that we deal with these in one fell swoop unless a Board member would like to take any one or more of these items and single them out for particular attention. Are there any items that anyone would like to single out?

Bill Feldmeier – Question not about any specific item, but I have noticed that there are a few of these projects that are being deferred to FY 2009. I presume that it is the same case with all of them, that it is too close to the end of the fiscal year to be able to complete or it is necessary to send the project out, so it is just being forwarded to July 1.

Rakesh Tripathi – As mentioned, the Priority Planning Advisory Committee invites all of the project managers; those are listed under the items, to give a presentation on each project. They give an update on their particular project and tell us what clearances that they have not gotten yet, or just got a geotechnical report stating that they may need some more erosion control, a retaining wall or something and they need more money for that. Or the design has been delayed because environmental has had some issues, so extra time is needed. They give us the various engineering and other issues and request that we give them extra time to make those modifications.

Board Action: Motion to approve the Items 10 – 30 was made by Delbert Householder, seconded by Ms. Lundstrom, and was approved unanimously. Items 10 – 30 are so awarded.

Item 31: Barclay Dick

State and Local Grant for the replacement of an automated weather observation system at the Sedona Airport. Approval of this project will increase the State's obligation by \$630,405 from a total of \$153,000. Staff recommends approval.

Board Action: Motion by to approve Item 31 was made by Bob Montoya, seconded by Mr. Feldmeier, and it was approved unanimously.

Chairman Si Schorr will recuse himself from all construction contract items and asks Mr. Householder to take the Chair for those items.

STATE ENGINEER'S REPORT – Floyd Roehrich

Mr. Sam Elters, the State Engineer has resigned. He has taken a position with another company and is moving out of State. In the interim, Mr. Floyd Roehrich, Deputy State Engineer for Valley Transportation and acting State Engineer until the position is filled.

Currently 100 projects are under construction, just slightly more than \$1.4 B in total value. Of that, we have already paid out in excess of \$790 M of that value. We continue to move forward in progress as well as expenditure of the funds for the construction program. In May we finalized 10 projects that valued \$22.5 M and so far this year-to-date we have finalized 110 projects and continue to move forward at a fairly aggressive schedule.

The next items, ITEMS 39 – 44 are consent agenda items, but there are some elements to discuss to make sure the Board fully understands what pertains to those before asking for a motion.

Item 39 specifically. It is a project on I-40 in Yavapai County. It is a project to do rehabilitation work, replacement of asphalt and concrete on I-40. The apparent low bidder at that time was Fisher Sand & Gravel. There is an element of that which the Board needs to be briefed on. At the time that they presented their bid, in compliance with our specifications, they provided us notification of a Federal indictment that Fisher Sand & Gravel has placed upon themselves as well as two officers of the company. One of them is their vice president who is also a minority shareholder in the company and the chief financial officer. The indictment stems from some allegations of fraud as part of making and submitting false tax returns as well as conspiracy to

defraud the government at the corporate level as well as the individuals. The individual in question is minority owner Michael Fisher who is the son of the founder. At that time, we received per our specifications the notice from the company, a copy of the indictment as well as notice from their bonding company that they are fully bonded to do the work and the bonding company continues to bond them. We also felt that it was even more important to look beyond just the legal requirements of the specification. I actually contacted the president of the company, Tom Fisher to talk directly to him. Not to understand the ramifications of the indictment, but more specifically as outlined in our specifications to see if this is the type of company that has integrity and character that we want to do business with. We have done a lot of business with this company, but wanted to assure ourselves as well that this is a reputable company and we are dealing with a company of the moral character that we are looking for. Mr. Fisher came in very forthright and laid out all of the elements of the indictment. It is in Federal court. It is expected to possibly play out through the summer. He talked about a trial in July. It is defined around certain elements of one minority owner, their vice president and how that person was mixing his finances with the company finances. It is a private company started and owned by a father and now the two sons have taken over management of it. As he explained, it looks as if the younger brother was not careful about how he was spending money and how he was paying his bills, and did not give any thought to whether he was doing it personally or out of the company fund that he has available to him. As part of the investigation, they feel very confident in Federal court that they would be able to get the one indictment against the company out of this overall indictment as well as their chief financial officer. It will become an issue just with the vice president.

More specifically, the people involved in this, the chief financial officer and the vice president are people who work in North Dakota and manage the business in the northern Midwest area. Tommy Fisher, the president, is here in Arizona and conducts this business here in Arizona without much regard for how those operations are going on. As we have identified, Fisher Sand & Gravel, a subsidiary of Fisher Industries of which Tommy Fisher is the primary officer in the state, has done a lot of business with Arizona over the years. We feel very comfortable that the business is reputable. They have given us good service for the contracts that we have given them. After sitting down and getting assurance from Mr. Fisher that if this indictment would roll over into some type of conviction, the penalties to his company as well as any penalties to the individuals would have no impact on his Arizona operation or his continued ethical business practices with us in Arizona. It was important to sit across from him, meet him personally, and not rely on him to provide us with written letters from his legal department. To get that assurance, Deputy State Engineer of Operations Doug Forsey went as well as the Assistant State Engineer over the contract specifications, Barry Crocket. I feel very confident that Fisher Sand & Gravel here in Arizona has the wherewithal to execute this contract as well as working with us in a reputable manner to assure that we are expending the public funds with a company that we feel confident will give us the proper service and execution of that contract.

Mr. Roehrich recommends award on all Items 39 – 43 based upon a review of the bid summary. Open for comments and questions.

Richard Travis – The amount in question in the tax court as I understand it was \$100,000.

Mr. Roehrich – it was less than \$100,000. They have the bond capability of \$600 M at this point. We did receive that notice from their bonding company.

Richard Travis – Just to give the Board some relevance as to what their potential financial liability is vs. what their bond rating is at.

Mr. Roehrich – This is Consent Agenda item 46. He wanted to apprise the Board about the situation regarding Item 39. More specifically if there are questions on any of the other items that need to be addressed. We are aware of all of those. All of the bids have been really close or slightly under or over. For these projects, we are looking at a total bid estimate of just over \$39 M which is about \$103,000 under the Department's estimate for all of those projects.

Board Action: Mr. Householder asked for a motion by to approve ITEM 46: Consent Agenda. Motion to approve was made by Bill Feldmeier, seconded by Bob Montoya, and it was approved unanimously.

ITEM 45: Comments and Suggestions

Felipe Zubia would like to reiterate to Mr. Tripathi the need to go through a comprehensive look at how all this fits together should the investment strategy pass in November, how the 5-year weaves into the 20 year and the 30 year and how we can best manage all that. He looks forward to a presentation.

Chairman Si Schorr reiterates that it is very important in the formulation of the 5-year plan that we pay special attention to and award merit points to those communities who are willing to engage in public/private partnerships.

CALL TO AUDIENCE:

Annie McGreevy – Friends of Scenic Highway 82/83.

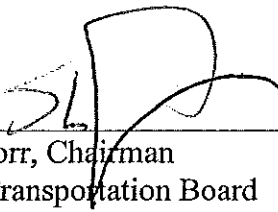
She wishes to make the Board aware of some problems on Highway 83. In December, she told the Board about the Rosemont Mine which has been proposed off of Highway 83. It would have mining trucks going down 83 to I-10 every 15 minutes. That would be very hard on the maintenance of Highway 83 as well as safety of school buses, commuters, tourists and everyone who tries to use that road. She asked at that time to have ADOT make a comment into the MPO process. She is not sure if that has been done. The comments are accepted until July 14 and it is very important that whoever works with MPO process look into this. It is the Mining Plan of Operations Rosemont. ADOT should be a stakeholder in the MPO process because they are so effective. The other thing about 83 is the wide loads. Yesterday she came home from I-10 to Sonoita following a wide load that took both sides of the road. The road had to be closed coming from the south. She went 5 miles per hour from I-10 to Sonoita. If we are going to have mining trucks involved also, it will be a mess. This needs to have attention given to it.

Chairman Si Schorr asks Richard to prepare a memo or a report to the Board on this issue. Particularly, what power, if any, does the ADOT department have to preclude these wide load trucks from using that route? It is a State Road and we cannot arbitrarily take anything, but it

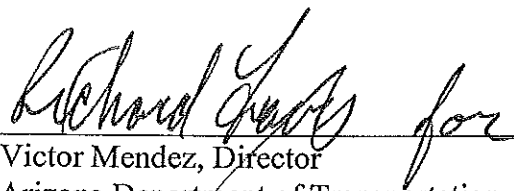
seems to me that there may be other rules and regulations that play as well. A presentation would probably be best.

Adjourn:

The meeting adjourned at 11:00 a.m.



Si Schorr, Chairman
State Transportation Board



Victor Mendez, Director
Arizona Department of Transportation